



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS AIR FORCE MATERIEL COMMAND  
WRIGHT-PATTERSON AIR FORCE BASE, OHIO

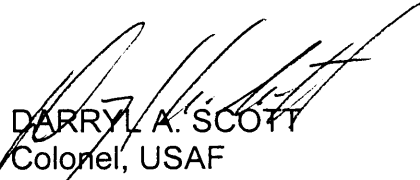
24 SEP 1999

MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFMC/PK  
4375 Chidlaw Road, Suite 6  
Wright-Patterson AFB OH 45433-5006

SUBJECT: Parametric Estimating

1. Ms. Eleanor Spector, Director, Defense Procurement, supports parametric methods as a valuable tool to reduce cycle time and streamline the proposal evaluation and negotiation process (Atch 1). I also believe that parametric models can be used in place of detailed "bottoms-up" cost proposals to estimate prices accurately while saving time and proposal costs. I encourage each of you to take advantage of parametric methods whenever possible.
2. Corporate contracts are another use for parametrics. A parametric approach can be an effective way to handle a large number of individual items and reduce volumes of data required in large corporate indefinite ordering agreements. I also encourage you to consider this approach whenever possible.
3. Ms. Spector mentions the newly revised Parametric Estimating Handbook which provides guidance on understanding, evaluating, and negotiating parametric cost proposals. The handbook provides the basic tools needed for our people to effectively use parametric methods in government contracting. The handbook can be accessed from the web site listed in the letter and the PKP Policy Vault, Other Resources.
4. If you have any questions, please contact my action officer, Mr. Virgil Hertling, HQ AFMC/PKPC, DSN 986-0446, E-mail: Virgil.Hertling@wpafb.af.mil.

  
DARRYL A. SCOTT  
Colonel, USAF  
Director of Contracting

Attachment:  
USD/CPF Ltr, 23 Aug 99

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ACQUISITION AND  
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August 23, 1999

DP/CPF

MEMORANDU FOR DIRECTORS OF DEFENSE AGENCIES  
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(CONTRACTING), SAF/AQC  
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT)  
EXECUTIVE DIRECTOR FOR PROCUREMENT MANAGEMENT  
(DLSC/DLA)

SUBJECT: Parametric Estimating

In my memorandum on parametric cost estimating dated August 28, 1995, I indicated my support for increased application of parametric estimating techniques. Properly calibrated parametric models can estimate costs accurately while reducing bid and proposal costs and cycle time and expediting the government evaluation process.

My initial memorandum attached a copy of the Parametric Cost Estimating Handbook developed by a government/industry team. That team has updated the Handbook to reflect suggestions from industry and government participants. Case data and related policy considerations have been integrated throughout. I believe the Handbook provides the basic policy considerations and practical applications needed to take advantage of parametric cost estimating opportunities. I strongly encourage you to use parametric estimating as a substitute for obtaining voluminous cost or pricing data whenever you can.

You can access this Handbook on <http://www.ispa-cost.org/peiweb/newbook.htm>. It is available in Microsoft Word 97 and HTML.

I am grateful for the substantial efforts and dedication of the International Society of Parametric Analysts (ISPA), the Society of Cost Estimating and Analysis (SCEA), the Space Systems Cost Analysis Group (SSCAG), and the many government organizations that contributed to the Parametric Cost Estimating Handbook.

Eleanor R. Spector  
Director, Defense Procurement

